

So Why is DoD Eliminating the DD Form 1662?

By

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The DD Form 1662, in its current configuration¹, is the result of Congressional hearings (and at least one General Accounting Office report) critical of the Department of Defense (DoD) for being “unaware” of the amount of (DoD) property in the hands of its contractors. Indeed, the DD Form 1662 went a long way toward deflecting such criticism. But while there have been many changes in property management since the form’s creation in 1986, some things haven’t changed: the General Accounting Office and other audit organizations have repeatedly cited DoD and other agencies for poor accountability, visibility, and financial reporting of federal property. For example, a lack of reliable information impairs the Government’s ability to (1) know the quantity, location, condition, and value of its assets; (2) safeguard its assets from physical deterioration, theft, loss, or mismanagement; (3) prevent unnecessary storage and maintenance costs or purchase of assets already on hand; and (4) determine the full cost of Government programs.²

As a result, through enabling legislation, the Congress has demanded greater fiscal accountability from managers of Federal Government property.³ Such laws include: the Chief Financial Officers (CFO) Act of 1990; the Government Performance and Results Act of 1993; the Government Management Reform Act of 1994; and the Federal Financial Management Improvement Act of 1996, and other legislation.

These laws, particularly the CFO Act, which required the preparation of financial statements and audits of those statements,⁴ and the Government Management Reform Act (GMRA) of 1994, P.L. 103-356, which extended requirements for publishing and

¹ Prior to 1986, the DD 1662 was limited to the reporting of facilities (plant equipment and real property)

² GAO-02-447G, Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property, March 2002, page 6.

³ Ibid, page 5: The GAO observed that “In the 1990s, the Congress passed the Chief Financial Officers Act of 1990 and subsequent related legislation, the Government Management Reform Act of 1994, the Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996. The intent of these acts is to (1) improve financial management, (2) promote accountability and reduce costs, and (3) emphasize results-oriented management. For the government’s major departments and agencies, these laws (1) established chief financial officer positions, (2) required annual audited financial statements, and (3) set expectations for agencies to develop and deploy modern financial management systems, produce sound cost and operating performance information, and design results-oriented reports on the government’s financial position by integrating budget, accounting, and program information. Federal departments and agencies work hard to address the requirements of these laws but are challenged to provide useful, reliable, and timely inventory data, which is still not available for daily management needs.”

⁴ This requirement was limited to departments included in a pilot project.

auditing financial statements to all Federal agencies, have significantly altered the way we think about property management. In short, the priority now is to provide the Congress and the American citizens an “opinion” as to whether the consolidated financial statements of the U.S. Government are fairly stated in conformity with Generally Accepted Accounting principles.⁵ The DD Form 1662 data is not generally reliable for such purposes, i.e., it does not consider capitalization requirements, or useful lives, nor can it be used for existence, completeness, and valuation purposes.

Thus, the DD Form 1662 is a bit of an anachronism—and maintaining it and its administrative infrastructure diverts resources away from where they are needed most, which in this case is the transformation of people, policies and processes necessary to secure an unqualified (“clean”) audit opinion. Accordingly, after this year (fiscal year 2004) the department will no longer require contractors to prepare the DD Form 1662.

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⁵ GAO, March 3, 2004